

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BFN2224 – FINANCIAL MARKETS AND INSTITUTIONS

(All sections / Groups)

23 OCTOBER 2017

9.00a.m. – 11.00 a.m.

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **3 pages** with **4 Questions** only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

Financial market is a market in which people trade financial securities, commodities, and other fungible items of value at low transaction costs and at prices that reflect supply and demand.

- a. Is liberalization of financial markets good for economy? (8 marks)
- b. Discuss the development of global financial market. (7 marks)
- c. Explain three factors of a bond that influence interest rate. (6 marks)
- d. One year interest rates over the next six years are expected to be 7%, 5%, 6%, 7%, 8% and 7%. What are the interest rates on a two-year bond and six-year bond? (4 marks)

QUESTION 2 (25 MARKS)

Bank Negara Malaysia (Central Bank) has played important roles for Malaysia development.

- a. Discuss the roles of Bank Negara Malaysia (Central Bank). (10 marks)
- b. Critically evaluate and discuss whether Bank Negara Malaysia should be decentralized and independent. (10 marks)
- c. Explain Fiat money and its application to modern banking system. (5 marks)

QUESTION 3 (25 MARKS)

In the 19th and early 20th centuries, many financial crises were associated with banking panics, and many recessions coincided with these panics.

- a. What is financial crisis? (3 marks)
- b. Discuss six (6) factors of financial crisis which had occurred in the emerging market. (12 marks)

Continued ...

- c. Discuss three (3) strategies used by the Malaysian government to stabilize the Malaysian economy during the financial crisis 1997-1998.

(10 marks)

QUESTION 4 (25 MARKS)

Mutual funds and derivatives are important instruments in the era of globalization.

- a. Discuss the benefits of investing in mutual funds. (10 marks)
- b. Explain the features of mutual funds. (10 marks)
- c. Describe two (2) types of derivative contracts. (5 marks)

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